

**EUROPEAN COMMISSION
EUROPEAID DEVELOPMENT AND COOPERATION
DIRECTORATE GENERAL (DEVCO)
SYSTEMS AUDIT REPORT
Design and operating effectiveness of the Internal Control System
OF PROJECT:**

**Improvement of the capacities of the Inter-American Court of
Human Rights to administer prompt international justice to victims
of human rights violations, especially those belonging to vulnerable
and traditionally discriminated groups, and to disseminate its
jurisprudence and work in an amicable manner that facilitates its
observance and use among national actors
Contract No. EIDHR/2018/402-057**

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Entity subject to Audit:	Inter-American Court of Human Rights of the OAS
Country:	Costa Rica, Central America
Commission service:	DEVCO Service/Unit or EU Delegation
DEVCO Directorate:	Mrs. Karine Genty, Head of Unit DEVCO/B6
Auditor:	Venegas y Colegiados, Contadores Públicos Autorizados
Period subject to audit:	May 02, 2020 to May 01,2021
Dates of audit fieldwork:	July 06, 2021 to July 16, 2021
Project status:	Ongoing

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SYSTEMS AUDIT REPORT

Table of Contents

	Page
Independent Auditor's Systems Audit Report Design and operating effectiveness of the Internal Control System	1-3
1. Summary of findings	
1.1 Summary of Internal Control Findings	4
1.2 Key Audit Data for the Audit Module	4
2. The Engagement Context	
2.1 Reason for the Audit	5
2.2 Contractual Conditions	5
2.3 Project subject to audit	6-8
2.4 Entity subject to audit	9
2.5 Internal control system subject to audit	9-10
3. The Audit	
3.1 Audit Objectives	11
3.2 Audit Scope	11
3.3 Audit Procedures	12-15
4. Findings and Recommendations	15
Annex	16

Independent Auditor's Systems Audit Report

Design and operating effectiveness of the Internal Control System

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We have audited the Internal Control System set up and operated by Inter-American Court of Human Rights of the OAS, the “Entity” for the project entitled “Improvement of the capacities of the Inter American Court of Human Rights to administer prompt international justice to victims of human rights violations, especially those belonging to vulnerable and traditionally discriminated groups, and to disseminate its jurisprudence and work in an amicable manner that facilitates its observance and use among national actors”, the “Project” and for the purpose of managing risks to the achievement of the objectives of the Project. These risks include risks to the Project funding provided by the European Commission not being used in conformity with the applicable Contractual Conditions as set out in section 2.2 of our report and the risk of error, irregularities and fraud with regard to Project funding.

This systems audit covers the design and operating effectiveness of the Internal Control System in the period from May 02, 2020 to May 01, 2021.

Our findings are set out in the relevant sections of our report, which is made solely to the European Commission in order to gain assurance that risks to the achievement of the objectives of the Project are properly managed and controlled.

Respective Responsibilities of the Entity's management and auditors

The Entity's management are responsible for the design, implementation and effective operation of the Internal Control System, including the management and control of risks to the achievement of the objectives to the Project.

Our responsibility is to audit the Internal Control System and to report our findings to the European Commission in accordance with the Terms of Reference for the audit engagement. These specify that we should carry out work in accordance with the International Framework and Standards for Assurance Engagements (issued by the International Federation Accounts) insofar as these standards can be applied in the specific contest of a systems audit intended to provide assurance that risks to the achievement of the objectives of the Project are properly managed and controlled. These standards require us to observe applicable ethical standards in the conduct of our work.

Scope of the audit

The scope of our audit is set out in our Terms of Reference as noted in Section 3 of our report. It includes an assessment of the main risks to the achievement of the objectives of the Project including risks to the Project funding provided not being used in conformity with the applicable Contractual Conditions and the risks of error, irregularities and fraud with regard to Project funding. The scope of our audit includes an assessment of whether the design of the Internal Control System sufficiently mitigates those risks and whether it is operating effectively.

Our work is designed to concentrate only on the key internal controls of the Entity and specifically those relating to the Project which are designed to prevent and detect material errors, irregularities or fraud with regard to the Project funding.

For the purpose of determining what is a material weakness or deficiency in the Internal Control System we have assessed whether the absence or failure of a control or a series of controls results in a significant risk of material error, irregularity or fraud in the use of the Project funds provided by the European Commission.

Accordingly, our findings cannot be relied upon to disclose every weakness in internal control that may exist at the Entity or Project level. Additionally, although our audit scope includes consideration of qualitative as well as quantitative factors, it is not a performance audit and therefore concentrates on financial internal controls rather than operational controls.

We have taken into account all the available evidence presented to us during our fieldwork which we finalized on July 16, 2021, including the subsequent comments and information of the Entity of the European Commission up to the date of this report.

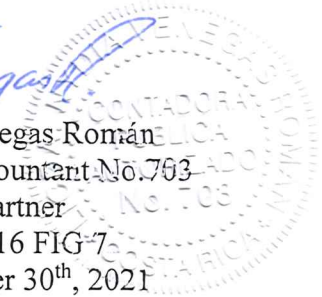

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified opinion.

Unqualified Opinion

In our opinion the Internal Control System set up and operated by the Entity for the purpose of managing material risks to the achievement of the objectives of the Project, was suitably designed and operated effectively in the period from May 02, 2020, to May 01, 2021.

Distribution and Use

The European Commission has requested this report and it is intended solely for the information and use of the European Commission and the Entity.



Licda. Nydia Venegas Román
Certified Public Accountant No. 703
Director Partner

Policy No. 0116 FIG-7

Expires September 30th, 2021

“Exempt of law stamp number 6663 of the
Association of Public Accountants of Costa
Rica by provision of article 8”

Venegas y Colegiados, Certified Public Accountants
50 meters north of CENAT, on 100th street, Rohrmoser,
Pavas, San José, Costa Rica

July 16, 2021

1. Summary of Findings

Based on our review we do not observe any matters regarding the internal control and its operation that must be considered as weaknesses that should be submitted for your consideration in this report.

1.1 Key Audit Data for the Audit Module

The summary tables below contain key audit data and are solely for use of the Commission for internal reporting purposes in the Audit Module.

Type of audit	Systems audit - design and operating effectiveness of the Internal Control System
Type of systems audit opinion	Unqualified

Internal Control Findings (1)

Nº	Internal control issue	Number findings priority 1	Number findings priority 2	Number findings priority 3	Total number of findings
1	No documentation or inadequate documentation	0	0	0	0
2	Accounting system and procedures	0	0	0	0
3	Financial reporting system and procedures	0	0	0	0
4	IT systems and procedures (computerised information systems)	0	0	0	0
5	Control environment	0	0	0	0
6	Asset management including related procurement process and procedures	0	0	0	0
7	Cash and bank management (treasury)	0	0	0	0
8	Expenditure control including related procurement process and procedures	0	0	0	0
9	Human resources and payroll management	0	0	0	0
10	Other	0	0	0	0
	Total internal control findings	0	0	0	0

- (1) This is the number of times a finding for the compliance issue concerned was made. For priority levels for ranking the recommendations relating to the findings see Section 4.

2. The Engagement Context

2.1 Reason for the Audit

The audit was foreseen in a DEVCO Audit Plan accordance with the terms of reference attached to the Commission's Contractual Conditions of April 23,2019, Contract number EIDHR/2018/402-057.

The audit was performed according to the International Standard on Assurance Engagements (ISAE) 3000 issued by the International Federation of Accountants (IFAC). These standards require that we plan and execute the audit to obtain an understanding of the Internal Control set up and operated by the Entity for the purpose of managing material risks to the achievement of the objectives of the Project, is suitable designed and operated effectively.

2.2 Contractual Conditions

The scope of this audit included to obtain a sufficient understanding of the applicable EC laws and regulations for the Project, the Contractual Conditions and requirements for controls set out in Section 5 of the Terms of Reference for this audit engagement. These include:

- Grant Contract-External Actions of the European Union-EIDHR/2018/402-057 “ Improvement of the capacities of the Inter American Court of Human Rights to administer prompt international justice to victims of human rights violations, especially those belonging to vulnerable and traditionally discriminated groups, and to disseminate its jurisprudence and work in an amicable manner that facilitates its observance and use among national actors”, between the European Union, represented by the European Union Commission and the Inter-American Court of Human Rights of the Organization of the American States (OAS).
- Addendum 001 (CRIS 001) to Grant Contract-External Actions of the European Union-EIDHR/2018/402-057.
- Financial Report subject to verification: 002/05/2020-01/05/2021.
- Financial Report.
- Previous contracts verifications, audits or monitoring.
- Annex I: Description of the action.
- Annex II: General conditions applicable to European Union-financed grant contracts for external actions.
- Annex III: Budget for the action.

- Annex IV: Procurement rules for beneficiary.
- Annex V: Standard request for payment and financial identification form.
- Annex VI: Model narrative and financial report.
- Annex VII: Terms of reference for an expenditure verification of a European Union financed grant contract for external actions and model report of factual findings.
- Annex VIII: Model financial guarantee.
- Annex IX: Standard template for transfer of assets ownership.
- Basic regulations.
- External contracts for works, services, supplies or grants, programme estimates and related documents.

2.3 Project subject to Audit

Title of the action: “Improvement of the capacities of the Inter-American Court of Human Rights to administer prompt international justice to victims of human rights violations, especially those belonging to vulnerable and traditionally discriminated groups, and to disseminate its jurisprudence and work in an amicable manner that facilitates its observance and use among national actors”

Contract number: EIDHR/2018/402-057

Start date and end date of the reporting period: 02 May 2020 – 01 May 2021

Target country(ies) or region(s): American continent

Final beneficiaries: The Inter-American Court of Human Rights, victims of human rights violations and beneficiaries of provisional measures in cases and matters before the Court, members of civil society and academia, public defenders, prosecutors and judges, the different actors and users of the inter-American human rights system and, in general, the members and organizations of the civil society of the American continent.

Duration: 39 months, the project is ongoing

Background and history of the Project:

In the past, through a project with de Inter-American Commission in which the Court was a co-applicant, the European Commission gave support to the Court in the areas of compliance with judgments and dissemination of its case-law and work. The European Commission has agreed to finance a new proposal that supports the work of the Court in the aforementioned and other matters.

The cooperation from the European Commission with this project will enable the Court to increase the number of days on which it carries out its judicial tasks, so that it can continue to respond promptly to the diverse matters that are submitted to its consideration.

The activities included in this Project intend to give continuity or follow-up on similar activities that have been implemented by the Inter-American Court on its own or thanks to the support of international cooperation projects previously executed or in process of execution. The project also intends to achieve larger goals in relation to the activities developed by the Court in order to strengthen the monitoring compliance of its judgments.

Description of the Project:

The overall objective of this project is to contribute to improve the provision and promotion of international justice in human rights in the Americas.

The specific objectives are:

- Improve the capacities of the Inter American Court of Human Rights to administer prompt international justice to victims of human rights violations, especially those belonging to vulnerable and traditionally discriminated groups.
- Strengthen the capacities of the Inter- American Court in monitoring of compliance with judgments and implementation of provisional measures.
- Disseminate the Inter-American Court's case-law and work in an amicable manner that facilitates its observance and use among national actors (state agents, civil society and academia).

The three (3) expected results of the Project are described below:

- Output 1: Increase in the number of days on which the Inter-American Court meets each year.
- Output 2: Strengthening monitoring of compliance with judgment and implementation of provisional measures by jurisdictional activities held in the territory of the responsible States and round tables with States authorities and experts.
- Output 3: Operation of a social communications department.

The Inter-American Court H.R. is the direct beneficiary of this Project, since its implementation will allow an increase in the efficiency of its jurisdictional task as well as in its capacities to influence the promotion of human rights and the diffusion of its work. Upon strengthening and spreading the work of the IA Court HR, the project also benefits the victims of human rights violations and beneficiaries of provisional measures in cases and matters before the Court, members of civil society and academia, public defenders, prosecutors and judges, the different actors and users of the IAHRs, and, in general, the members and organizations of the civil society of the American countries.

On 11 March 2020, the World Health Organization WHO declared COVID-19 a pandemic and Executive Decree No. 42227-MP-S of 16 March 2020 declared itself a national state of emergency throughout the territory of the Republic of Costa Rica, due to the health emergency caused by COVID-19 disease, adopting various prevention and control measures, including: closure of its borders, restrictions on internal mobility, suspension of certain productive, educational and mass events.

Regarding the specific impacts of the pandemic in this project, as informed in the first interim report, COVID-19 negatively affected the planning and execution of the actions of the Court, especially those related to in-person activities such as holding in-situ visits, round tables, and in-person periods of sessions. Due to the uncertainty as to when it would be possible to resume these events, on 25 March 2021 the IACtHR submitted an addendum request to the European Commission. This request sought to modify some activities that were incompatible with the current circumstances and to extend the contract for 15 additional months. The addendum entered into force on 28 April 2021, on the later date of signature by the parties. As a result, the grant contract was adjusted to be able to carry out all in-situ or in-person activities through virtual means, and some activities and indicators contained in the logical framework and activity matrix were also modified. Thus, instead of doing in-situ visits to monitor the compliance with judgments, the IACtHR will hold, during the third reporting period of the project, working meetings with state agents and/or legal representatives of victims by virtual means. Likewise, in the next reporting period the Court will organize two round tables with States' authorities and experts on monitoring of compliance with judgments by virtual means, an activity that was previously planned to take place in-person. These adjustments allowed the reallocation of project funds to strengthen the capacities of the Court through the extension of the contracts of the staff hired as part of the project, which were one senior lawyer, one junior lawyer and two legal assistants that provide support to the Monitoring Compliance Unit of the Secretariat of the IACtHR, and one journalist who oversees the Communications Department of the Court. The addendum will also permit improving the case filing procedures through the purchase of a scanner license for digitizing documents and records and increasing the accessibility of the IACtHR website by allocating specific funds that will be destined to further improve the website.

2.4 Entity subject to Audit

The Inter-American Court of Human Rights (IACHR) was created by the American Convention on Human Rights or "Pact of San José, Costa Rica", which was approved by the Specialized Conference on Human Rights, held from 07 to 22 November 1969.

The IACHR is an autonomous judicial entity of the Inter-American System established under the American Convention on Human Rights, which enjoys international legal personality and all corresponding rights and powers in accordance with the aforementioned convention, the Statute of the Court itself and its regulations (Law No.6889, Chapter I, Article I).

The IACHR is composed of seven judges from the Member States of the Organization. They are elected for a period of six years, with the right to be re-elected only once. It is headquartered in San José, Costa Rica, which is international in nature and operates under the institution's Secretariat.

From 1998, an special agreement was signed between the General Secretariat of the Organization of American States and the Inter-American Court of Human Rights on the administrative functioning of the Court Secretariat.

2.5 Internal Control System subject to Audit

For the purposes of this report, we have classified the significant policies and procedures of internal control system designed and implemented by the Entity, in the following cycles:

- Procedures on cash handling, accounting records, systems, financial reports, and supporting documentation of the transactions that are recorded crediting the Project.
- Procedures for eligibility of expenditure and income.
- Procurement and origin rules insofar as these conditions are relevant to determinate the eligibility of expenditure.
- Structure, organization, duties, and controls established by the Entity.

- Controls in purchasing, control and management of fixed assets.
- Procedures to guarantee compliance with the contractual terms established for the Project implementation, and compliance with applicable laws, regulations and instructions.
- Internal control procedures and policies for payroll and time management.
- Accounting (including the use of exchange rates) and financial report of expenditure and income
- Internal control procedures and policies for prevention of accounting errors and fraud.
- Adequacy and integrity of the information system and of the financial reports (internal controls and notably financial internal controls).

For the internal control system categories listed above, we obtained an understanding of the internal control structure, including an understanding of the design of the relevant policies and procedures and whether they had been placed in operation and its effectiveness; therefore, we could assess control risks.

3. The Audit

We have been engaged by the European Commission to perform this audit in accordance with the terms of reference attached to the Commission's Contractual Conditions of April 23,2019, Contract number EIDHR/2018/402-057.

The audit was performed according to the International Standard on Assurance Engagements (ISAE) 3000 issued by the International Federation of Accountants (IFAC), these standards require that we plan and execute the audit to obtain an understanding of the Internal Control set up and operated by the Entity for the purpose of managing material risks to the achievement of the objectives of the Project, is suitable designed and operated effectively.

In accordance with ISAE 3000, we have reviewed the documentation that provides:

- A sufficient and appropriate record of the basis for the auditor's report; and

- Evidence that the audit was planned and performed in accordance with ISA's and applicable legal and regulatory requirements.

The audit work was carried out remotely, because of the measures the Court took in the face of the pandemic emergency, as mentioned in point 2.3 of this report.

3.1 Audit Objectives

- a. To carry out the agreed-upon procedures listed in Annex 2 of the terms of reference attached to the Commission's Contractual Conditions.
- b. To issue reports based on the template in Annex 3 of the terms of reference attached to the Commission's Contractual Conditions, which will support the Contracting Authority's conclusions on the eligibility of the reported expenditure and the related follow-up.

3.2 Audit Scope

3.2.1 Contractual Conditions

The Contractual Conditions for the Project are set out in Section 2.2 of this report.

3.2.2 Scope of Work

The scope of work of these systems audit covered design and operating effectiveness of the Internal Control System in the period from May 02, 2020 to May 01, 2021.

The Internal Control System subject to audit is described at Section 2.5 of this report.

The scope of work included specific considerations and procedures which are set out further below at Section 3.3.

3.2.3 Scope Limitations

We didn't have scope limitations.

3.3 Audit Procedures

We have performed the following specific procedures listed in the section 6.2 and Annex 2 to the ToR.

Obtaining an Understanding of the Engagement Context

We have obtained an understanding of the engagement context including the contractual conditions of this Grant Contract, the Reporting Entity and the applicable EC laws and regulations are set out in Section 2.2 of this report.

The understanding was sufficient to identify and assess the risks of material errors or misstatements in the expenditure and revenue stated in the Financial Report in order to determine the size and structure of the expenditure sample tested, whether caused by error or fraud, and sufficient to design and perform further verification procedures.

We put specific attention to the contractual provisions relevant for the following aspects:

- Documentation, filing and record keeping for expenditure and income;
- Eligibility of expenditure and income;
- Procurement and origin rules insofar as these conditions are relevant to determine the eligibility of expenditure;
- Assets management (management and control of fixed assets, equipment);
- Cash and bank management (treasury);
- Payroll and time management;
- Internal controls and notably financial internal controls.
- Accounting (including the use of exchange rates) and financial reporting of expenditure and income; and
- Internal controls and notably financial internal controls.

Risk assessment and Materiality

Risk assessment involves an assessment of the risks that:

- The Financial Report of the Project is not reliable i.e. that it does not present, in all material respects, the actual expenditures incurred, and the revenues received for the Project in conformity with applicable Contractual Conditions;
- The Project funds provided by the Commissions have not, in all materials respects, been used in conformity with applicable Contractual Conditions;
- Fraud and irregularities can occur or have occurred which have an impact on Project expenditures and income which are not detected and corrected in a timely manner;
- The relevant Contractual Conditions for the Project are not complied with.

We assessed the main risks to the achievement of the objectives of the Project including risks to the Project funding provided not being used in conformity with the applicable Contractual Conditions and the risk of error, irregularities, and fraud with regard to Project funding. The assessment was sufficient to design and perform further audit procedures and to determinate the nature, timing, and extent of test of controls.

We considered the risks of weaknesses and deficiencies in the design or operating effectiveness of internal controls to determinate the nature, timing and extent of evidence gathering procedures. A weakness or a deficiency in controls exist where an internal control or series of internal controls do not reasonably prevent or detect risks that could have an adverse impact on the objectives of the Project. A deficiency in internal control exists when:

- An internal control is designed, implemented, or operated in such a way that is unable to prevent, or detect and correct, errors and misstatements in the financial report for the Project on a timely basis; or
- An internal control necessary to prevent, or detect and correct, errors and misstatements in the financial report for the Project on a timely basis is missing.

Obtaining Evidence regarding Design of Controls

We obtained sufficient appropriate audit evidence to support audit findings and to draw reasonable conclusions on which to base our opinion. We used professional judgment to determine whether audit evidence was sufficient and appropriate taking into account the Contractual Conditions.

The scope of our audit included an assessment of whether the design of the Internal Control System sufficiently mitigates the risks to the achievement of the Project. For this reason, we concentrated only on the key internal controls of the Entity and specifically those relating to the Project which are designed to prevent and detect material errors, irregularities or fraud with regard to the Project funding and we determined which of the internal controls at the Entity were necessary to achieve the internal control objectives and assess whether these internal controls are suitably designed.

We included the following procedures to obtain evidence regarding the design of internal controls:

- Inquiring of Entity staff who have relevant information;
- Evaluating whether descriptions of the Entity's internal controls, if available, fairly present the internal controls that have been designed and implemented;
- Inspecting Contractual Conditions;
- Observing operations and inspecting documents, reports, printed and electronic records of transaction processing, accounting procedures (bank reconciliation) and other key approval and internal control procedures (periodical expenditure reports, budget-actual comparisons, review and approval of timesheets, etc.);
- Reperforming internal control procedures.

Test of Controls

The scope of work included an assessment of whether the Internal Control System is operating effectively.

We tested those internal controls that have been determined as necessary to achieve the internal control objectives and assess their operating effectiveness throughout the period.

When designing and conducting tests of controls in our audit, we consider the following:

- We performed other procedures in combination with inquiry to obtain evidence about:

- How the internal control was applied;
 - The consistency with which the internal control was applied; and
 - By whom or by what means the internal control was applied.
- Determine whether internal controls depend upon other controls (indirect controls) and, if so, whether it is necessary to obtain evidence supporting the operating effectiveness of those indirect controls; and
 - Determine means of selecting items for testing that are effective in meeting the objectives of the procedure.

When determining the extent of tests of controls, we considered matters including the characteristics of the population to be tested, which includes the nature of controls, the frequency of their application (for example, monthly, daily, a number of times per day), and the expected rate of deviation.

Sampling and other means of selecting items for testing

The establishment of the sample and the selection of the individual elements for the test were made according to Annex 2 of the ToR.

Obtaining Written Representations

We requested a letter of representation signed by the member(s) of the management of the Entity who have the primary responsibility for the Project and its financial aspects.

4. Findings and Recommendations

Our evaluation of the internal control structure has not identified any reportable condition which must be discussed in this report.

Annex: Persons contacted or involved in the Audit

The Auditor – Venegas y Colegiados, Contadores Públicos Autorizados

Nydia Venegas Román	Audit Partner
Ana Lorena García Vásquez	Manager
Flora Zumbado Gamboa	Senior Auditor

The Entity subject to audit - Inter American Court of Human Rights of the OAS

Arturo Herrera	Director of Administration and Finances
Martha Hernández	Head of Accounting

EuropeAid Development and Co-operation Directorate General

Karine Genty	Head of Unit DEVCO/B6
Chiara Adamo	Head of Unit DEVCO/B1
